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E.O. 12958: DECL: 09/11/2018

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SUBJECT: TURKEY: GULER PRESSES BAKU AND ASHGABAT FOR GAS

REF: ANKARA 1560

Classified By: Ambassador Ross Wilson for reasons 1.4 (B) and (D)

11. (C) Summary. In a September 11 meeting with the Ambassador, Energy Minister Guler continued to be obsessed by attracting gas to Turkey and expressed indifference over the fate of Nabucco. Guler said he had positive meetings in Turkmenistan and Azerbaijan but divulged few details. Turkey appears to favor concluding a straightforward gas supply deal with Azerbaijan for 8 bcm rather than keep 15% of transit gas. The GOT wants Turkmenistan to honor a gas supply agreement from the 1990s and is not opposed to this gas transiting Iran. Turning to Iraq, Guler bemoaned what he perceives as U.S. support for the export of Akkas gas via Syria, rather than via northern Iraq and Turkey. Guler said part of his strategy, which he complained lacks sufficient GOT support, is to reduce Turkey's dependence on gas through energy efficiency and renewable energy. Ambassador urged Guler to take steps now that will unlock progress to get Nabucco and TGI financed and headed toward construction. The prospect of these pipelines will draw in the Turkmen and Iraqi gas Turkey needs. Ambassador told Guler energy deals with Iran would likely trigger sanctions creating major difficulties for US-Turkey relations. Guler went on the defensive asking where he was "supposed to get the gas" if Russian and Iranian gas are off the table. End summary.

No major breakthroughs in Baku

12. (C) Guler's September 9 trip to Baku did not yield major breakthroughs on Shah Deniz phase I pricing or phase II gas supplies. Guler explained that his rationale for seeking 8 bcm of gas from Azerbaijan's Shah Deniz II production was simple -- Turkey needs gas. He personally appealed to Energy Minister Natiq Aliiev, and he thought Aliiev understood Turkey's position. (Note: Before his trip to Baku, Guler publicly announced his intention to buy 8 bcm.) Guler said price negotiations for Shah Deniz I gas should be settled on the "one nation, two states" principle, presumably an appeal to brotherhood as a strategy to keep concessionary prices. Apparently consortium members were not moved by Guler's arguments: StatOilHydro has threatened to take the contract to arbitration.

Gas for Turkey, not Nabucco, is our Priority

¶3. (C) In discussions with Azerbaijan and Turkmenistan, Guler said talk of Nabucco was unhelpful. He speculated that those countries do not support Nabucco and Turkey will improve its chances for getting gas if it concentrates on its own needs. However, if Nabucco goes forward on his watch, he will be pleased. Ambassador responded that the Russian invasion of Georgia presents an important opportunity for Turkey because European and Turkish consumers are now focused on and concerned about energy dependence on Russia. Now is the time to make progress in bringing Caspian gas to Turkey and Europe. Far from being a distraction for Turkey, building Nabucco would unlock resources. Producers and investors would see a viable route to market which would further encourage upstream development. This would mean more gas for all, including Turkey.

Three GOT Deals Pending with Turkmenistan

¶4. (C) Guler was upbeat about his meeting with Turkmen President Berdimuhamedov whom he described as more focused and determined than in previous meetings. Guler said he felt Turkmenistan and Azerbaijan relations are warming. Turkey is pursuing three deals with Turkmenistan. One includes the construction of power plants in Turkmenistan (and maybe Turkey) and export of electricity to Turkey. The second is a gas supply contract concluded in the 1990s that Turkey believes Turkmenistan should honor. If the agreement goes forward, Turkey will take gas at the border: its not clear

whether it might be the land or sea border. Turkey is not opposed to gas transit through Iran, especially if that promotes Turkish upstream investment in Turkmenistan. Turkish Petroleum (TPAO) would like to become a shareholder in the Petronas off-shore project. Separately (and third), local press is reporting Turkey is close to finalizing a deal with Turkmenistan for exploration. Its not clear whether this is the same or a separate deal.

Guler Defensive -- "where am I supposed to get gas?"

¶5. (C) Ambassador said energy projects with Iran send the wrong signal at a time when the world is sanctioning Iran for its nuclear ambitions. He added that new investment in Iran is against US law and policy and could trigger sanctions against Turkey, creating serious problems in the US-Turkey relationship. This prompted a long monologue by Guler which we have heard before, accusing the U.S. of leaving no options for Turkey to find new energy supplies. Several times, Guler pointedly asked the Ambassador "where am I supposed to find the gas?" He was baffled by U.S. support for a route for Iraq's Akkas gas though Syria via the Arab Gas Pipeline (AGP). He said the U.S. has been duped into thinking this gas will go westward but the real destination is Egypt. If Akkas gas goes via the AGP, Guler speculated that Turkey and Nabucco will lose out on this and future Iraqi gas exports. Ambassador clarified that the U.S. is neutral on export routes for Iraqi gas, and he said our efforts with Turkey and other European countries to develop and access Azeri, Turkmen and Iraqi gas via Nabucco and/or TGI are intended to create alternatives to Iran as well as Russia.

Offer to work with the U.S. on renewable energy

¶6. (C) Guler said he is working on a strategy to reduce Turkey's dependence on natural gas by half (reftel). To do this, Turkey is investing in renewable energy technologies and launching a campaign on energy efficiency and savings. Guler complained his initiative had not yet received appropriate GOT support. Striking a pleasant note to end the meeting, Guler offer to work with the US in these areas.

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